

Celente predicts super depression 2012

Trend forecaster Gerald Celente has been getting a lot of attention lately. He has a pretty good track record, having predicted the crash of '87, the rise of Starbucks, the bail out frenzy, among others. Now he's forecasting a super-depression come 2012. I first came across Mr. Celente's doomsday predictions a few months back. In November I did [a post](#) that challenged his predictions. I agreed that we had serious problems, but I was much more confident that we would recognize and reverse the situation before it got ridiculous. Now, I'm beginning to think Mr. Celente's predictions of total financial breakdown by 2012 might be overly optimistic. Given the events of the last 3 months, I don't know if we can continue to fake it for three more years.



Gerald Celente, trendsresearch.com

The speed with which the federal government has ballooned the deficit and the debt has been mind-boggling. As Mr. Celente points out, the Fed is now between a rock and a hard place. They're buying up Treasuries to keep rates low, which is essentially like printing your own money and loaning it to yourself. The consequence is that the value of the dollar around the world is falling. It's similar to a publicly traded company issuing more stock. The more stock you put on the market, the less each share is worth. This will likely lead to inflation, which one would normally combat by raising interest rates. However, that would be a body-blow to an already ailing economy and would lead to the government having to roll over its own record debt at much higher rates. They've gotten themselves into a pickle for which there is no fix. Hyper-inflation seems inevitable.

As Mr. Celente correctly points out, during the Great Depression of the '30's we didn't have anything like the level of consumer or government debt we're dealing with today. Also, we had the strongest manufacturing base in the world. Today, not only do we not have that capacity, we've regulated away our ability to create it anytime soon.

The question is, how will we react to a total economic meltdown? Celente predicts tax revolts, food riots and a level of criminal activity like we've never seen. Maybe I'm naive when it comes to human nature, but I still don't think poverty and hardship will necessarily lead to the population in general totally losing their minds. I remain hopeful that even in the face of fiscal disaster, we can take what's coming and clean up after ourselves. After all, you can rail at our leaders for creating this situation, but we're the ones who hired them. We are not blameless. Perhaps the bi-partisan nature of the runaway spending spree put a damper on any public outcry, or maybe we just all wanted to believe that one can solve a debt problem by borrowing and spending more.

We may not be able to avoid the inevitable fiscal crisis, but we still have the ability to clean house as far as our government. It will take more than replacing one party with another. We actually have to seek out and support people who have some common sense and competence in the field of money management and free market economics. We'll have to accept that some serious short-term pain will have to be experienced. We can't continue to try to kick it down the road for our kids to deal with. Fiscal collapse doesn't have to be the end of the world. It can be a new beginning, if we have the wisdom to identify and acknowledge our mistakes, take our medicine, and start again.

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